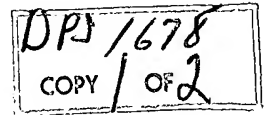


17 June 1958



Subject: Proposed Call Contract HF-CT-696

Reference: (a) Letter CH0064 dated 6 May 1958, DK to BJW
(b) Letter LN 216 dated 29 April 1958, JSL to DK

Dear Sir:

A 733 (600) 37721
for
signature
Contract

We have reviewed the terms of a proposed call type contract together with the suggested procedures to be followed in utilizing that contract.

Several changes to the terms of the contract and to the procedure for its use are recommended for your consideration. These changes appear desirable inasmuch as we would propose to utilize the contract for at least three purposes, i. e.,

- a. Project requirements for modification kits, replenishment of parts, components and equipments previously furnished and new components, technical data or other materials related to the equipment previously furnished.
- b. FOG requirements similar to (a) above.
- c. Furnishing of parts required for the operation of the Contractor's Maintenance and Overhaul Facility when such parts are not readily available through normal supply channels.

Exhibit A outlines the proposed procedure by which the Contractor would utilize a call type contract.

Exhibit B outlines the proposed terms and conditions of a call type contract.

Exhibit C outlines the pricing formula which the Contractor proposes to employ for the initial six (6) month period of the call type contract.

We believe that the procedure as proposed will expedite the delivery of required items to using activities, will enable the Contractor to obtain prompt reimbursement, and will provide adequate protection to the Government.

The proposed procedure has been coordinated with the Depot supply representatives of Customers 1 and 2 and has received their verbal concurrence.

Very truly yours,

HYCON MFG. COMPANY

1958 JUN 19 PM 4:07

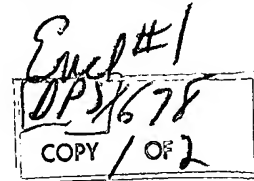


Exhibit "A"

PROPOSED PROCEDURES FOR CALL CONTRACT HF-CT-696

Contractor proposes that a Fixed-Price-Open-Call Contract be written to provide (1) equipment or parts for modification of equipment previously furnished by the Contractor, (2) replenishment of spare parts, test equipment, or ground handling equipment, or (3) new components, technical data or other materials related to the equipment previously furnished.

It is the understanding of the Contractor that the following procedures will be utilized in the operation of any contract arising from this proposal:

(1) There are to be three (3) separate users of the supplies to be furnished under this contract; (a) the Project, (b) the F.O.G., and (c) the Contractor's Factory Maintenance and Overhaul Facility, any one of which may initiate requests for supplies under this contract.

(2) The Contractor will maintain three (3) master lists of equipment supplied or to be supplied as follows:

List "A" - Supplies for the Project

List "B" - Supplies for the F.O.G.

List "C" - Supplies for the Factory Maintenance and Overhaul Facility

Supplies will be added or deleted from these lists in accordance with the procedures outlined herein.

(3) Production Lists and Proposed Call Lists shall be generated by the Contractor and will be maintained as follows:

a. Production Lists (enclosure 1)

I. Project (List "A") - Upon determination of a requirement generated by the Project using activity or depot or contractor proposed change to equipment which is approved by the Project, the authorized representative of the Contracting Officer at the Project Depot [redacted]

[redacted] will forward a signed "Depot Purchase Request" to the Contractor. Upon determination of a requirement by the Contracting Officer, the Contracting Officer will forward a request to the Contractor.

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Exhibit "A"

Page 2

Immediately upon receipt of either a Depot Purchase Request or request from the Contracting Officer, Contractor will review it for any items which have been rendered obsolete by design changes and in lieu thereof insert the superseding or interchangeable item, if any, in the same or lesser quantities, as appropriate. Contractor will generate a Production List from such Depot Purchase Requests and/or Contracting Officer Requests and shall transmit five (5) copies, together with any pertinent information concerning the superseded items. Two (2) copies shall be sent to the Contracting Officer and three (3) copies to the Project Depot.

All Production Lists for the Project will be numbered serially, and each serial number will be prefixed with the letter "A".

II. F.O.G. (List "B") - The procedures for the F.O.G. will be the same as that for the Project except:

(1) The F.O.G. Depot shall be substituted therein, and

(2) "F.O.G." shall be substituted for "Project" therein, and

(3) F.O.G. WSPO shall be authorized to request and/or approve changes and will be forwarded one (1) copy of the Production List, and

(4) Serial numbers on Production Lists will be prefixed with the letter "B".

III. It is contemplated that Production Lists will be submitted at frequent intervals and will include all requests received in that interval.

b. Call Lists (enclosure 2)

I. List "A" and List "B" Items. Contractor shall prepare and submit to the Contracting Officer a Proposed Call List which shall present Contractor's prices and which shall include thereon the numbers of the Production Lists which are applicable thereto.

Exhibit "A"
Page 3

II. List "C" Items - Upon determination of a requirement by qualified Contractor personnel for supplies to be furnished by the Government to support the Maintenance and Overhaul Facility, Contractor will list such items directly onto a Proposed Call List.

III. Lists "A", "B" and "C" - Proposed Call Lists will be serial numbered and will include as a prefix to the serial number the letter designation "A" if for the Project, "B" if for the F.O.G., and "C" if for the Factory Maintenance and Overhaul Facility. This list will be prepared in accordance with the part of the contract entitled "Procedure for Pricing".

Each Proposed Call List will indicate the total price thereof, the total approved price and the balance of funds remaining for the master list applicable thereto. Upon receipt and approval by the Contracting Officer this list shall be an Approved Call List and shall become an integral part of the contract. Distribution will be made the same as for the contract. It is contemplated that Proposed Call Lists will be submitted monthly.

(4) Delivery of items supplied under List "A" or "B" will be receipted by the Depot Supply Officer or his authorized representatives on Contractor's Shipping Memos which will in turn be used to document delivery on the Contractor's invoices.

Delivery of items supplied under List "C" will be receipted by qualified Contractor personnel, to be designated by the Contracting Officer in writing, on the Contractor's Receiving Inspection Reports which will be retained by the Contractor. Contractor's invoices for List "C" will be certified as follows:

"I hereby certify that on the _____ day of _____, 19____, delivery was completed of all the supplies called for by Contract No. _____ Call No. _____; that such supplies were in the quantities and of the quality called for, and were in all respects in accord with the applicable specifications. This statement is furnished to support payment of the attached invoice."

Exhibit "A"
Page 4

(5) It is understood that all prices and delivery dates which appear on Production Lists are for planning purposes only and do not represent a quotation on the part of the Contractor.

(6) It is further understood that when line item quantities requested for Lists "A" or "B" are lower than the minimum lot quantities available to the Contractor, the Contractor may increase the total quantity of the several lists to the minimum lot quantity, and the Government agrees to accept such additional quantity provided that the Government will incur no additional cost thereby. The quantity increase described herein may appear either in the Production List or the Proposed Call List.

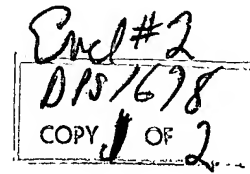


Exhibit "B"

TERMS AND CONDITIONS

This proposal has been prepared on the basis that the following terms and conditions will be applicable to the Proposed Contract HF-CT-696.

A. Special Terms and Conditions

Part I - Articles and Supplies to be Furnished

(a) The Contractor shall furnish to the Government such equipment, spare parts, modification kits, components, and data for equipment of types which have been, are being or may hereinafter be manufactured by the Contractor as the Government may call for hereunder. Quantities of the supplies to be furnished shall be determined as hereinafter provided.

(b) From time to time the Government will furnish lists to the Contractor which set forth the items the Government desires to procure together with the desired delivery schedule and the estimated dollar amount thereof. These lists will be in the form of (a) a Depot Purchase Request issued by the Depot Supply Officer or (b) a request from the Contracting Officer or his authorized representative. The Contractor will promptly delete from said purchase requests any items rendered obsolete by design changes and insert in lieu thereof, superseding and interchangeable items, if any, in the same or lesser quantities, as appropriate. Contractor will generate a Production List from such Depot Purchase Requests and/or Contracting Officer requests and shall transmit five (5) copies if for Customer 1 and six (6) copies if for Customer 2 or Maintenance and Overhaul, together with any pertinent information concerning the superseded items to the Contracting Officer and his duly authorized representatives. The Contractor will include an estimated price and an estimated delivery date on each Production List submitted. The Contractor will be obligated to furnish the items in the quantities listed therein, and subject to its rights elsewhere specified in this contract, the Government will be obligated to take delivery of the items so furnished on a Production List. The Contractor is hereby authorized to make delivery in advance of the schedule appearing on any Production List under this contract.

(c) Upon determination by qualified contractor personnel of a requirement for items to be furnished by the Government to support the Contractor's Maintenance and Overhaul Facility, Contractor will provide such items to the Maintenance and Overhaul Facility and will list these items directly onto a Proposed Call List. The Proposed Call List will be submitted by the Contractor as described in Part II hereunder.

(d) If it appears to the Contractor at any time that the total price of the total quantity of items covered by any or all Production Lists

Exhibit "B"

Page 2

is likely to exceed the funds allotted hereunder in Part VII, the Contractor shall notify the Contracting Officer and the authorized representative of the amount of such excess. Within thirty (30) days after receipt of such notice, the Government will either notify the Contractor it has taken action to increase the funds allotted, or will notify the Contractor of the items or quantities to be deleted from such Production Lists in order to bring it within the dollar amount thereof. If the Government fails to act within said thirty-day period, the Contractor shall submit to the Contracting Officer and the authorized representatives a recommendation of the parts to be deleted to bring the Production Lists within said dollar amount and the Contracting Officer shall approve or disapprove such recommendations within ten (10) days after receipt thereof. If the Contracting Officer fails to act within said ten (10) day period, the recommendation of the Contractor shall be deemed to have been approved and the Production Lists shall be modified accordingly. If the Government deletes items or quantities from a Production List, such action shall be considered a partial termination under the clause hereof entitled Termination for Convenience of the Government.

Part II - Procedure for Pricing

(a) As soon as practicable after receipt by the Contractor from the Contracting Officer or his authorized representative of a request or Depot Purchase Request, as appropriate, but in no event more than sixty (60) days after such receipt, the Contractor shall prepare and submit to the Contracting Officer a Proposed Call List which shall include thereon the numbers of the Production Lists which are applicable thereto and the unit and total prices and delivery schedule covering the items shown thereon. A reproducible original and at least ten (10) copies of the Proposed Call List will be prepared and shall be delivered promptly by the Contractor to the Contracting Officer. The reproducible and three (3) copies shall carry at the end thereof, a certificate manually signed by an officer or other person authorized to bind the Contractor, stating that the prices therein represent a firm quotation. Each such Call shall require the written approval of the Contracting Officer stating that the prices therein are fair and reasonable. Each such call shall set forth therein the total dollar amount thereof.

(b) If the Proposed Call List is approved by the Contracting Officer it shall be a numbered Call to the contract. If the Contracting Officer and the Contractor fail to agree on Prices in the Proposed Call List, the failure to agree shall be deemed a disagreement as to a question of fact which shall be disposed of in accordance with the clause thereof entitled "Disputes". The Contracting Officer shall reduce to writing by a Proposed Call List his decision, containing prices he believes fair and reasonable. The prices decided by the Contracting Officer shall be paid upon all deliveries, pending final decision of the dispute.

Exhibit "B"

Page 3

(c) Upon approval of any Call List, the Contracting Officer shall deliver a copy thereof to the Contractor and forward one copy thereof bearing his written approval to the Finance Officer responsible for making payments under this contract. Upon Government's acceptance of delivery of any of the items listed on an Approved Call List, the Contractor shall be entitled to be paid therefor at the prices shown on the Approved Call List.

(d) The Contractor shall be paid upon the submission monthly of properly certified invoices or vouchers, for partial deliveries accepted by the Government, or, when requested by the Contractor, payment for accepted partial deliveries shall be made whenever such payment would equal or exceed either \$1,000.00 or 50% of the total amount of the Approved Call List.

Part III - Delivery

Deliveries shall be made in accordance with the delivery schedules set forth in the Approved Call Lists as may be generated under this contract from time to time.

Part IV - Inspection and Acceptance

All supplies and services to be furnished under this contract shall be shipped F.O.B. Contractor's or Subcontractor's plant in accordance with shipping instructions to be issued at a later date.

All services, material and workmanship shall be subject to inspection and test by representatives of the Government. For this purpose, the Contractor shall allow at all reasonable times, to the extent approved in writing by the Contracting Officer or his duly authorized representative, inspectors and other Government personnel free access to the plant and operations and shall provide all reasonable facilities and assistance for the safety and convenience of the Government inspectors in the performance of their duties.

Inspection and acceptance of the items contracted for under this contract shall be made by the Government at the Contractor's plant, with respect to any items fabricated and/or assembled and packed as individual or integral units at the Contractor's plant. With respect to items fabricated and/or assembled and packed as individual or integral units at subcontractors' plants, the point of inspection and acceptance shall be at the plant of such subcontractor.

Part V - Period of Performance

(a) The Contractor shall furnish the articles and supplies requested hereunder during the period 1 July 1958 through 30 June 1959.

Exhibit "B"

Page 4

(b) The Government is granted the right and option of renewing or extending this contract for any additional periods of time but not to exceed 30 June 1960. This option to extend will be exercised by issuance of an Amendment to this contract.

Part VI - Establishing of a Pricing Formula

The parties hereto shall negotiate and establish a fixed pricing method for certain periods of time. The agreed upon formula(ae) shall be set forth in an amendment hereto.

Part VII - Funds Allotted

For the purposes of this contract there has been a total sum of \$ _____ allotted for the performance of work as may be called for by the Government from time to time. Of this \$ _____, \$ _____ is available for Customer No. 1, \$ _____ is available for Customer No. 2, and \$ _____ is available for items to support the Contractors Maintenance and Overhaul Facility. If, at any time, the Contractor is of the opinion that the cost of such work will exceed the amount set forth above, it shall notify the Contracting Officer in accordance with the provisions of paragraph (d) of Part I.

Part VIII - Waiver of Requirements of General Provisions

Notwithstanding the requirements of any of the General Provisions of this contract to the contrary, whenever the Contractor, in performance of the work under this contract, shall find that the requirements of any of the clauses of the General Provisions are in conflict with security instructions issued to the Contractor by the Contracting Officer or by his duly authorized representative for security matters, the Contractor shall call the attention of the Contracting Officer to such conflict and the Contracting Officer or his duly authorized representative for security matters shall (i) modify or rescind such security requirements or (ii) the Contracting Officer shall issue to the Contractor a waiver of compliance with the requirements of the General Provisions conflicting with such security requirements. Any waiver of compliance with the General Provisions of this contract issued by the Contracting Officer shall be in writing, except that the approval by the Contracting Officer of any subcontract issued hereunder by the Contractor shall be deemed to constitute approval of waiver of any clauses of the General Provisions in conflict with the stipulations of such subcontract.

Exhibit "B"

Page 5

Part IX - Special Security Restrictions

The Contractor shall not reveal (i) the specific nature or any details of the work being performed hereunder or (ii) any information whatsoever with respect to the department of the Government sponsoring this contract and the work thereunder except as the Contractor is directed or permitted to reveal such information by the Contracting Officer or by his duly authorized representative for security matters, and notwithstanding any clause or section of this contract to the contrary, the Contractor shall not interpret any clause or section of this contract as requiring or permitting divulgence of such information to any person, public or private, or to any officer or department of the Government without the express consent of the Contracting Officer or his duly authorized representative for security matters.

Part X - Anticipatory Costs

All costs, which have been incurred by the Contractor in anticipation of this contract and prior to its signing, and which if incurred after signing would have been considered allowable items of cost for this contract, shall be considered as allowable items of cost hereunder.

B. General Terms and Conditions

Contractor proposes that the clause of ASPR 7-4014 be added to the General Terms and Conditions proposed by the Government in the reference (a) letter for Contract HF-CT-696. Contractor is in agreement with all other proposed General Terms and Conditions.

C. Contractor's Representations

The following statements and conditions are submitted in order to clarify the Contractor's position and are not necessarily intended for incorporation in the contract:

1. The Contractor does not allow any discounts for payments made within a stipulated period.

2. The delivery set forth in Exhibit "D" is based upon receipt of contractual authorization in the form of a fully executed contractual document not later than 30 July 1958.

3. The Hycon Mfg. Company employs in excess of 500 employees.

4. The Contractor expects to subcontract to small business the maximum amount of work proposed herein that will be consistent with the efficient performance of any contract resulting therefrom.

Exhibit "B"

Page 6

5. It is contemplated that the amount of subcontracting will not exceed 10% of the total work proposed herein.

6. The Contractor will not require financial assistance if awarded the contract resulting from this proposal.

7. The Hycon Mfg. Company is incorporated under the laws of the State of Delaware.

8. The Contractor is a manufacturer of the article to be furnished hereunder.

D. Other Information

The Contractor hereby warrants that the prices quoted herein are not in excess of prices currently being charged to the purchasers of similar or identical articles.

Contractor represents that he will need no additional employees if awarded the contract contemplated hereby.

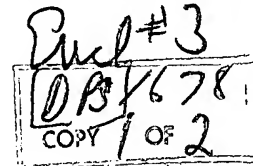


Exhibit "C"

PROPOSED PRICING FORMULA

Contractor proposes that the following pricing formula be included in Contract HF-CT-696 for the period 1 July 1958 to 31 December 1958.

Material

- a. Material (net direct cost to contractor of raw material, purchased parts, outside production, and outside processing) \$ _____
- b. Material Handling Charges, 14% of a. _____
- c. Total Material Cost (a. + b.) \$ _____

Shop, Assembly, and Inspection

<u>d. Class Labor</u>	<u>Rates per Hr.</u>	<u>No. of Hours</u>	<u>Total Direct Labor Cost</u>
Chief Inspector	\$3.85		
Exp. Mach. Leadman	3.15		
Elect. Tech., Sr.	2.80		
Elect. Tech.	2.35		
Elect. Tech., Jr.	2.00		
Model Maker	2.90		
Welder, Comb. Ldmn.	2.90		
Exp. Machinist	2.90		
Research Mechanic	2.90		
Mach. Maint. Ldmn.	2.90		
Grinder, Precision	2.65		
Inspector, Precision	2.65		
Machinist, Precision	2.65		
Insp. Elect. Systems	2.65		
Welder, Comb. (Prec.)	2.65		
Machinist, Maint.	2.65		
Plater	2.65		
Assembler, Precision	2.25		
Insp., Machined Parts	2.25		
Vatman, Plating	2.25		
Machinist Specialist	2.25		
Insp., Electronics, Sr.	2.25		
Spray Painter, Spec.	2.25		
Welder, Specialist	2.25		
Maintenance Mechanic	2.25		

Exhibit "C"

Page 2

d. (cont'd)

<u>Class Labor</u>	<u>Rates per Hr.</u>	<u>No. of Hours</u>	<u>Total Direct Labor Cost</u>
Insp., Assy & Test	\$1.95		
Machine Operator	1.95		
Painter, Spray	1.95		
Inspector, Electronics	1.95		
Vat Tender	1.95		
Assembler, General	1.80		
Inspector	1.80		
Inspector, Jr.	1.60		
Assembler, Electrical	1.60		
Assembler, Mechanical	1.60		
e. Shop and Assembly Burden, 115% of a.		\$ _____	
f. Total Shop and Assembly Cost (d. + e.)			\$ _____
g. Total Manufacturing Cost, (c. + f.)			\$ _____
h. General and Administrative Expenses, 13% of g.			_____
i. Total Operating Cost (g. + h.)			\$ _____
j. Profit, 11.1% of i.			_____
k. Price (i. + j.)			\$ _____